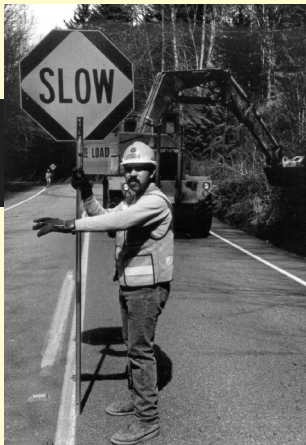


Phase 1 State Agency and Higher Education Edition

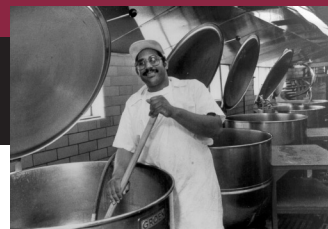


PERS Plan 3 Transfer Decision News

Washington State
Department of Retirement Systems

May 2002

Issue #3



New legislation impacts PERS plans

New PERS Plan 3 service credit
month is **June 2002**

**How can I become eligible for the
transfer payment?**

- Transfer during your initial transfer window. Phase 1 members can transfer between March 1, 2002 and August 31, 2002.
- Earn any amount of service credit in June 2002.

**When is the payment applied to my
PERS Plan 3 account?**

- June 2003.

New PERS Plan 2 contribution rate

Effective April 2002, House Bill 2782 established a new PERS Plan 2 member contribution rate of .65 percent.

2002

Your Transfer Window

Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
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To be eligible for the transfer payment you must earn service credit in **June 2002**.

In March 2002, the Washington State Legislature passed Senate Bill 6376 allowing Phase 1 members, who transfer to Public Employees' Retirement System (PERS) Plan 3 during their initial transfer window, to receive the transfer payment if they earn service credit in June 2002.

Prior to Senate Bill 6376, a Phase 1 member had to earn service credit in February 2003 as part of the criteria for receiving the 110 percent transfer payment.

Phase 2 Transfer Window

PERS Plan 2 members who are employed by cities, counties and other local government agencies are part of a second transfer window and will have an initial opportunity to transfer to PERS Plan 3 during the Phase 2 transfer window September 1, 2002 through May 31, 2003.

Phase 2 members will receive their next newsletter in August 2002.

Transfer decision: Frequently Asked Questions

The Department of Retirement Systems (DRS) updates our Frequently Asked Questions based on the questions we receive from members. Here is a sample of some of the information available online.

Why was PERS Plan 3 created?

PERS Plan 3 was created by the legislature in response to members' requests for a plan that provides flexibility with stability. The defined contribution portion of Plan 3 provides greater portability for retirement assets as well as increased personal control over both the contribution rates and investment deci-

sions. The defined benefit component provides a level of security to the plan by providing a guaranteed benefit funded by the employer. PERS Plan 3 is also reflective of evolving demographics and lifestyles in Washington state's workforce. It encourages the pursuit of public sector careers without creating barriers to other public or private sector employment.

The legislature provided members with a choice between PERS Plan 2 and PERS Plan 3 so each member can compare the benefits of the two plans and choose the plan that makes the most sense for them.

FAQs continued on page 2

How do PERS contributions impact the deferred compensation maximum deferral?

PERS Plan 2 and PERS Plan 3 members who earn \$14,200 or more annually can defer the maximum amount to their deferred compensation plan. The current maximum deferral limit for deferred compensation plans, like Washington State's Deferred Compensation Program (DCP) is \$11,000. This means PERS Plan 3 members who earn \$14,200 or more will be able to contribute the maximum to Plan 3 and not impact their deferred compensa-

tion maximum deferral limit. Members who earn less than \$14,200, should know that the maximum they can defer to a deferred compensation plan could be impacted by their PERS contributions. The amount of the impact, if any, is based on the member's contribution rate. Additional information about how to calculate this impact is available in our Frequently Asked Questions, on the Transfer Education Web site.

Comparing plan features

The tables below highlight a few of the differences between PERS Plan 2 and PERS Plan 3. There are many plan features that can impact your decision. Additional plan comparison information is available on the Transfer Education Web site and on pages 18 and 19 of your *Journey to Retirement Transfer Decision Booklet*.

Retirement Eligibility

	Plan 2 Defined Benefit	Plan 3	
		Defined Benefit	Defined Contribution
Normal retirement with full benefits	Age 65 or older with at least 5 Service Credit Years (SCY)	Age 65 or older with at least 10 SCY, or 5 SCY including 12 service credit months after reaching age 54, or 5 SCY by June 1, 2003, under PERS Plan 2 and transferred to PERS Plan 3	You may request withdrawal of your contributions and earnings at any time after you separate from PERS-covered employment.
Early retirement with reduced benefits	Age 55 or older with at least 20 SCY	Age 55 or older with at least 10 SCY	You may request withdrawal of your contributions and earnings at any time after you separate from PERS-covered employment.

Plan Benefits

	Plan 2 Defined Benefit	Plan 3	
		Defined Benefit	Defined Contribution
Formula for Pension Benefit	The defined benefit is guaranteed to members and is based on this formula: $2\% \times \text{Service Credit Years (SCY)} \times \text{Average Final Compensation (AFC)}$	The defined benefit is guaranteed to members and is based on this formula: $1\% \times \text{SCY} \times \text{AFC}$	The value of the benefit is based on the amount contributed and the performance of the funds.

FAQs from front page

I want my retirement benefit to be risk-free. Which plan is better for me?

Both Plan 2 and Plan 3 provide a guaranteed benefit. The table at lower left provides the specific formula used to calculate the guaranteed defined benefit in each plan.

I'm planning to retire early. When will I be able to retire under each plan?

To retire at age 55 in PERS Plan 2 requires at least 20 service credit years; to retire from Plan 3 at the same age requires at least 10 service credit years. In both cases the benefit will be actuarially reduced. The table at left provides more retirement eligibility details.

Is the PERS Plan 3 defined contribution benefit based on my contributions to my account?

Yes. The ultimate value of the defined contribution benefit is based on the amount you contributed and the performance of the investments you choose.

Can the market affect my PERS Plan 3 defined contribution after I start drawing it?

Yes. Market ups and downs increase or decrease your account balance. It can also change your time line for receiving benefits. A growing account balance will last longer than a shrinking account balance.

Can I take my PERS Plan 3 defined contribution money without separating from employment?

No. Your contributions are part of your retirement income. However, if you choose, you can elect to withdraw the funds in your PERS Plan 3 defined contribution account any time you separate from all PERS-covered employment.

To see more FAQs, go to the PERS Journey to Retirement Portal at: <http://www.wa.gov/drs/member/pers/2or3>.

How to transfer to PERS Plan 3

- ☐ **Review educational materials.** See page 4 for a list of resources available to you.
- ☐ **Use the financial modeling software** to compare the projected benefits for both plans based on your personal situation.
- ☐ **Complete the Member Information form and return it to your employer.** On the form, you must:
 - **Complete the transfer section.**
 - **Decide on your contribution rate.** Transferring members must select a rate at the time of transfer. Take care in choosing your contribution rate. Under federal law, once you select a contribution rate you cannot change it unless you terminate employment, change employers and re-enter PERS-covered employment.
 - **Determine your investment program.** Either the Washington State Investment Board (WSIB) Investment Program or Self-Directed Investment Program. If you select the Self-Directed Investment Program, determine which funds you want your contributions invested in, and notify ICMA-RC of that allocation. Refer to the *Plan 3 Investment Guide* for the available funds.
- ☐ **Submit the Beneficiary Designation form to DRS.** It is recommended that you update your designation periodically. Forms are available from your employer or online at: <http://www.wa.gov/drs/member/pers/2or3>.
- ☐ **Read your PERS Plan 3 Member Handbook** – available online at: <http://www.wa.gov/drs/member/pers/2or3>.

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recep@drs.wa.gov

If you did not receive previous editions of *PERS Plan 3 Transfer Decision News*, contact the editor at (360) 664-7934.

Example of steps in the transfer process

A member turns in the Member Information Form to their employer.

Employer sends the member's information to DRS at the employer's next reporting cycle. This can take up to six weeks.

DRS sends the member's information to the record keeper. This takes a minimum of two days.

The record keeper sends a "Welcome to PERS Plan 3" letter to the member's home two days after the record keeper receives the data.

The time line for the member to review their account information depends on the member's investment program choice: The Self-Directed Investment Program or the WSIB Investment Program.

The Self-Directed Investment Program

Members can view account balance information the second business day of the month following the month the employer sends information to DRS, as long as it was transmitted to the record keeper on or before the third to the last business day of the month.

The total length of the transfer process for a Self-Directed Investment Program member can be up to eight weeks.

The WSIB Investment Program

Members can view account balance information two business days after the member information is transmitted to the record keeper.

The total length of the transfer process for a WSIB Investment Program member can be up to seven weeks.

PERS Plan 2 follow-up transfer letter

DRS mailed PERS Plan 2 members an updated transfer letter earlier this month. This letter can be used with the financial modeling software and includes your actual March 2002 account balance.

The letter also includes your 110 percent transfer payment, retro-

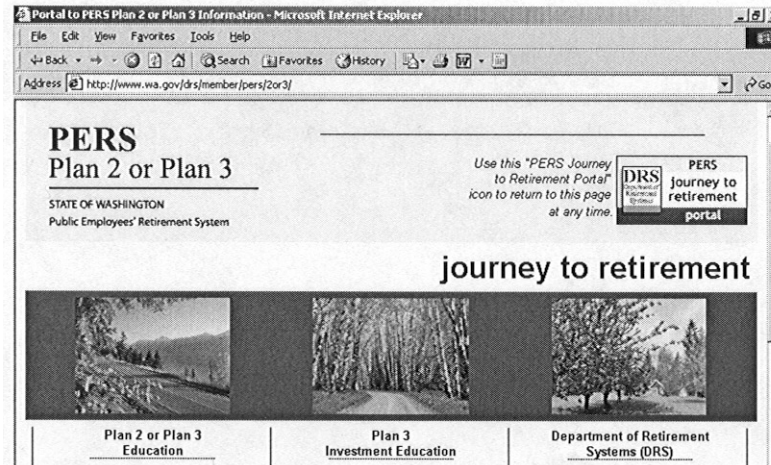
active gain sharing payment and your years of service credit.

PERS members who have already transferred to Plan 3 will receive a separate letter, which provides them with an actual March balance and other information.

PERS Journey to Retirement Portal:

<http://www.wa.gov/drs/member/pers/2or3>

The Transfer Education Web site, Investment Education Web site and DRS Web site are all available through the PERS Journey to Retirement Portal. See resources listed below under each Web site.



Phone Support
Center and E-mail
Call 888-711-8773
or write
pershelp@icmarc.org.

Alternate formats
PERS Plan 3 materials are available in alternative formats, such as Braille, to system members. For more information, contact the editor at (360) 664-7934

Transfer Information

- *Journey to Retirement Transfer Decision Booklet*. Mailed to your home in December, or available from your employer or online.
- Transfer Education Seminars schedule and sign-up are on the Transfer Education Web site.
- Financial modeling software available online.
- Transfer Decision Video available from your employer. Coming soon: Transfer Decision Video online.

Investment Information

- Investment Education Packet, available at seminars or from your employer.
- Investment Education Seminars schedule and sign-up are on the Investment Education Web site.
- Investment calculators available online.
- Investment Education Video available from your employer. Coming soon: Investment Education Video online.

DRS Information

- Brochures, such as, *What is Dual Membership and How Does it Affect Me?*, are available on the DRS Web site.
- PERS Member Handbooks available from your employer or online.
- Member newsletters available online.

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**Update your address
with your employer**

PERS Plan 3 Transfer Decision News

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